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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015 - 2017 (U39G).	Application 13-12-012 (Filed December 19, 2013)
And Related Matter.	Investigation 14-06-016

SUPPLEMENTAL COMMENTS OF

THE CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION (CMTA)
AND THE CALIFORNIA LEAGUE OF FOOD PROCESSORS (CLFP)

ON THE REVISED RATE TABLES IN APPENDICES G AND J

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June 2, 2016

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SUPPLEMENTAL COMMENTS OF

THE CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION (CMTA)[1] AND THE CALIFORNIA LEAGUE OF FOOD PROCESSORS (CLFP)[2]

ON THE REVISED RATE TABLES IN APPENDICES G AND J

Pursuant to the May 23, 2016 Assigned Commissioner's Ruling Denying Motion For Extension of Time to File Comments on Proposed Decision and Alternate Proposed Decision, Ordering Filing of Revised Tables, and Setting Schedule for Filing of Supplemental Comments (ACR), CMTA and CLFP file these supplemental comments to address "the rate impacts and propose mitigation measures" resulting from the "amortization of the 2015-2016 revenue undercollection in the GTSMA assuming a July 1, 2016 implementation date."[3]

The Proposed Decision of ALJ Yip-Kikugawa (PD) and the Alternate Proposed Decision of Commissioner Peterman (APD) properly and necessarily found that "customer affordability

[1] **CMTA** represents the interests of 25,000 large and small manufacturers in California with 1.2 million employees, about 8% of total state employment and about 11% of gross state product. Manufacturing creates the most wealth of any sector – for every $1 invested in manufacturing, another $1.35 is added to the economy, and every one manufacturing job supports an additional 2.5 jobs in the local region. Since 1918, CMTA has supported state laws and regulations to maintain a competitive business climate to encourage manufacturing investment and job growth.

[2] **CLFP** represents 46 food industrial processors in California. Food and beverage processing in California accounts directly for $25.2 billion in value added and 198,000 direct full- and part-time jobs. Food processing reverberates through local and regional economies. On average for every $1 of value added in food and beverage generated results in $3.25 dollars in additional economic activity. Each job in food and beverage processing generates 3.84 jobs in total.

[3] ACR, p.3.

must be considered in determining the reasonableness of PG&E's requested revenue requirement."[4] However, as the "Updated Appendix J: Table 1A revised" provided by PG&E demonstrates, the PD and APD's approval of approximately 87% of PG&E's three year GT&S cycle revenue request and amortization of PG&E's GTSMA over an 18 month period beginning July 1, 2016 will increase noncore industrial transmission customers' 2016 rates by 126.6%, followed by a further 5.5% increase in 2017. In combination, this means that approval of the PD and APD will force noncore industrial transmission customers to pay rates in 2017 that are 139.3% more than currently required.[5]

While these rate increases are unprecedented and untenable and far exceed what the Commission previously has determined to be "rate shock," converting these proposed rates into actual bill impacts demonstrates the enormous negative financial impacts associated with these rate increases. CMTA asked that PG&E calculate the average annual bill impact for PG&E's noncore industrial transmission customers that would have resulted from PG&E's proposal to increase noncore industrial transmission customers 2015 rates by 58%. PG&E's calculation (which is part of the evidentiary record, Exh. CMTA-05) and PG&E's sponsoring witness' responses during CMTA's cross-examination about Exh. CMTA-05, show that a 58% rate increase would increase the average annual bill for these customers by $272,800 per year.[6]

However, the PD and APD would approve rate increases for noncore industrial transmission customers far more than 58% in 2016 and 2017. As described in CMTA/CLFP's May 25, 2016 opening comments on the PD and APD, a 2016 rate increase of 126.6% would increase the average annual bill of a noncore industrial gas transmission customer by nearly $600,000 over the current average annual bill.[7] The additional proposed rate increase for 2017

[4] PD/APD, p.28.

[5] ($1.886/dth - $0.788/dth)/$0.788/dth = 139.3%.

[6] Tr.28:3764-3767 (PG&E witness Niemi) discussing PG&E's data response (Exh. CMTA-05). "Q: And this data response [Exh. CMTA-05] says that you prepared it; is that correct? A: *It was prepared under my direction*. Q: Okay. And what this data request from CMTA was asking was for PG&E to provide bill impacts for non-core industrial customers resulting from the adoption of PG&E's GT&S revenue requirement; correct? A: *Correct*." Tr.28:3764 (PG&E witness Niemi). See, also, CMTA/CLFP Opening Brief, dated April 29, 2015, pp.23-24 and Reply Brief, dated May 20, 2015, pp.10-13.

[7] (126.6%/58%) x $272,800.

would extract another $55,000, on average, from each noncore industrial transmission customer in 2017, for a total average bill increase in 2017 (compared to the current average bill), of approximately $655,000.[8]

CMTA and CLFP member companies operate in highly competitive markets, where price is the determinative factor. CMTA and CLFP member companies compete not only with other national and international companies, but their California manufacturing plants compete internally with manufacturing plants they own and operate in other, less expensive to operate locations in the United States.

There is no dispute that California already is one of the most expensive states for all types of manufacturing to operate, and adding, on average, an additional $600,000 to $655,000 per year to California manufacturers' operating costs can only exacerbate the problem.[9] As CMTA/CLFP have repeatedly described, and as PG&E has acknowledged, the proposed bill increases for noncore industrial transmission customers will "hurt industrial customers' profits and competitiveness"[10] and, as the "law of economics" describes, companies "in a competitive industry" that "cannot raise their prices," will "have to absorb those costs in other ways."[11]

Since these companies cannot freely raise their prices, they will have to "absorb these costs in other ways," by reducing operating, labor and supply costs, which will threaten good-paying jobs and purchases of locally produced supplies. As CLFP described during the June 1 all-party meeting, this is a particular concern for seasonal food processors that are located primarily in the San Joaquin Valley, where some of the greatest concentration of disadvantaged communities are located.[12] In some of these communities, food processors are the only major employers. With average unemployment in the eight San Joaquin Valley counties nearly double

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[8] (139.3%/58%) x $272,800.

[9] As CLFP noted during the June 1, 2016 all-party meeting, bill increases for seasonal food processors will range between $400,000 to $1.2 Million.

[10] Tr.13:1036-1037 (PG&E witness Stavropolous).

[11] Tr.13:1023 (PG&E witness Stavropolous).

[12] CalEPA, CalEnviroScreen 2.0, link: http://www.arcgis.com/home/item.html?id=e689a87d6eb74093811c5873c086fe97.

the state average, such communities rely on the jobs provided by food processors and cannot afford the potential loss of any of those good-paying jobs.[13]

Finally, if reducing costs and jobs are not sufficient to maintain the viability of California manufacturing plants in PG&E's territory, the worst case is these companies could be forced to close their operations in California and/or leave the state.

The only way to mitigate these unprecedented and untenable rate increases and bill impacts is to reduce the three-year GT&S cycle revenue requirement proposed in the PD and APD. To do that, CMTA/CLFP support the revenue reduction recommendations discussed by TURN, Indicated Shippers and ORA during the June 1 all-party meeting. In addition, CMTA/CLFP support ORA's proposal to extend PG&E's current GT&S cycle to four years and recommend that PG&E's GTSMA be amortized over a 30-month period (if not longer, as recommended by Indicated Shippers).

Dated: June 2, 2016

Respectfully submitted,

By: ______________________

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[13] Cal. Employment Development Dept., April 2016, Monthly Labor Force Data, link: http://www.calmis.ca.gov/file/lfmonth/countyur-400c.pdf.